

Louisiana Property and Casualty
Insurance Commission
Louisiana Department of Insurance
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Louisiana Property and Casualty
Insurance Commission
Monthly Report
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Commissioner Donelon Urges Insurers to Extend Hurricane
Katrina/Rita Claims Prescription

Commissioner of Insurance Jim Donelon held a press conference on June 5th to let consumers know he has issued Advisory Letter 06-04 to the approximate 100 companies with homeowners policies in Louisiana, requesting their cooperation in extending from one to two years the prescription period for policyholders with Hurricane Katrina and/or Rita claims.



Commissioner Donelon speaking at the
press conference, June 5, 2006.

Donelon said a Louisiana policyholder’s right to file suit on a homeowners insurance claim is limited to 12 months in most cases. “Given the unprecedented number of claims following Hurricanes Katrina and Rita, one year is simply not going to be enough time for many policyholders and insurance companies to work out a settlement that is in the best interest of both,” Donelon said.

Under applicable Louisiana law, there are at least two ways for an admitted insurer or surplus lines insurer to extend the one-year prescriptive period to two years. The insurer can file with the Department of Insurance either (1) an endorsement or (2) a stipulation, stating that a change in the prescriptive period is being made. “Today I am asking insurers to file with the Department on or before August 1, 2006, the necessary paperwork to put this extension in effect,” Donelon added.

continued on following page

Louisiana Property and Casualty Insurance Commission-Monthly Report

- ◆ The Monthly Report is the newsletter of the Louisiana Property and Casualty Insurance Commission, Louisiana Department of Insurance, 1702 N. 3rd Street, 3rd Floor, P.O. Box 94214, Baton Rouge, LA 70804-9214 225-342-7187 (PH) 225-342-6057 (FX)
- ◆ The Monthly Report may be reprinted with prior permission.
- ◆ The Louisiana Property and Casualty Insurance Commission was created by the enactment of R.S. 22:15 in the 2001Regular Session of the Louisiana Legislature to review and examine the availability and affordability of property and casualty insurance in the state of Louisiana. The commission will also undertake a comprehensive study and provide oversight and enforcement recommendations of the effectiveness of law enforcement and implementation of programs aimed at enforcement throughout the state of those laws and programs which affect property and casualty insurance rates.

LA Property & Casualty Insurance Commission Staff
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Continued from front page-

“ At a luncheon in Lafayette today, I ended a month-long, statewide storm awareness tour. As I talked to policyholders and insurance industry representatives throughout the state, I became certain that extending the prescriptive period is the right thing to do,” Commissioner Donelon said.

To assist policyholders, the names of insurance companies who agree to extend the prescriptive period will be listed on the Department’s Web site and publicized through a variety of mediums.¹

Source 1: LaDOI

The Louisiana Property and Casualty Insurance Commission Meeting

The Louisiana Property and Casualty Insurance Commission met recently at the Department of Insurance. Reports were presented to the members by Mr. Terry Lisotta, Chief Executive Officer of the Property Insurance Association of Louisiana, and Mr. Rich Piazza, Chief Actuary for the Department of Insurance.

Mr. Lisotta gave a company update on the Louisiana Citizens Property Insurance Corporation (Citizens). He reported that 62,500 claims were filed as a result of Hurricane Katrina, with 93 percent of the claims closed. This leaves approximately 4,800 claims still open. Hurricane Rita was responsible for 12,000 filed claims, with 96 percent of those closed. From the estimated total of 77,000 claims from both storms, Citizens had approximately 1,200 claimants that chose mediation, with 1,000 of that number closed prior to the mediation process. There have been only 75 law suits filed.

Citizens experienced an \$825 million deficit after losses, with \$500 million in cash and ready-reserve through assessments and re-insurance. Citizens sold \$1.07 billion in

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Louisiana Property and Casualty Insurance Commission Members

Commissioner Jim Donelon
Jeff Albright
Col. Jim Champagne
Chuck McMains
Terry Lisotta
H. “Marc” Carter
Senator James David Cain

Representative Karen Carter
Senator Donald Cravins
Earl Taylor
Kay Hodges
Richard L. Stalder

Tom O’Neal
Theodore “Ted” Haik, Jr
Aubrey T. Temple, Jr.
Nicholas Gachassin
Richard Clements
Chad Brown
Lorrie Brouse

bonds to cover the deficit and loss reserve, and in order to pay claims. The pay-off period for the bond is over a 20 year period, but can be paid off in approximately 11 years due to the structure of the emergency assessments for Citizens.

Based on the book of business and storm models used by industry, Citizens’ had \$305 million in reinsurance, with \$35 million in excess for the 1st event, and \$320 million with \$20 million in excess for the 2nd event. Last year’s premium for \$305 million in reinsurance was \$16 million. The 2006-2007 estimate to buy \$700 million of reinsurance is approximately \$77 million.

Citizens has filed with the Louisiana Legislative Auditors and the Department of Insurance as required for the 2004 financial audit, and has received an extension from the Office of Contract Review on their OPS review because of the storms. The rate reviews for 2005 took place on January 1, 2005, and the Board of Directors is currently in the process of scheduling meetings to determine the rate review for 2006, filing sometime in the fall.

The Department of Insurance has informed Citizens that they are under review for a market conduct study, and an appointment has been requested with the Market Conduct Review Board in order to prepare for and facilitate the review.

Citizens has changed and improved its disaster recovery plan working with their service providers which are McNeil, Banker’s and First Premium. The finalized plan will be filed with the Department of Insurance in the next few weeks, and will be placed on Citizens’ Web site. A new phone system will be in place on June 1st, and a phone bank service has been contracted also. Additional personnel has been hired in claims, production, underwriting, accounting and systems operations.

Mr. Piazza gave an insurance data overview explaining the rating process incorporating actuarial principles. He explained how actuarial principles are a guide to an insurance system’s financial soundness and promote availability and affordability of insurance products. These principles are:

1. A rate is an estimate of the expected value of future costs.
2. A rate provides for all costs associated with the transfer of risk.
3. A rate provides for the costs associated with an individual risk transfer.
4. A rate is reasonable and not excessive, inadequate, or unfairly discriminatory if it is an actuarially sound estimate of the expected value of all future costs associated with an individual risk transfer.

Mr. Piazza gave the Department’s estimate of reported claims and insured losses paid-to-date, statewide and industrywide, excluding flood.

As of March 31, 2005

Hurricane	Losses Paid-to-Date	Reported Claim Count
Katrina	11.5 billion dollars	701,127
Rita	2.0 billion dollars	196,678
Katrina/Rita Combined	13.5 billion dollars	897,805